



City of Richmond

Report to Committee

To: Finance Committee

Date: April 19, 2010

From: Andrew Nazareth
General Manager, Business & Financial Services

File:

Re: Richmond Olympic Oval Corporation 2009 audited financial statements

Staff Recommendation

That the report on the 2009 audited financial statements for the Richmond Olympic Oval Corporation be received for information.

Andrew Nazareth
General Manager, Business & Financial Services
(604-276-4095)

FOR ORIGINATING DEPARTMENT USE ONLY		
CONCURRENCE OF GENERAL MANAGER		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
REVIEWED BY CAO	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Staff Report

Origin

Section 7.3 of the Operating Agreement between the City of Richmond (the "City") and the Richmond Olympic Oval Corporation (the "Corporation") requires reporting with respect to business plans, budgets, audited financial statements, and quarterly comparisons of actual results to budget along with projections to fiscal year end. This staff report deals with the 2009 audited financial statements of the Corporation.

Analysis

Please see the attachment for the audited financial statements of the Corporation for the year ended December 31, 2009. The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The 2008 and 2009 years featured the start-up of operations. During 2009 Vanoc had two "Exclusive Use Periods" ("EUP") where it effectively took control of and operated the Oval. These were the three weeks in February for the Essent Single Distance World Championship Sport Event and the period commencing December 1, 2009 through March 31, 2010 for the 2010 Olympic and Paralympic Winter Games (the "Games"). During these periods, revenue earning operations ceased. As a result of the start-up period and the EUPs, the comparison of 2009 financial figures to those of 2008 is not particularly meaningful.

Statement of earnings

The 2009 net income was \$1,109k with revenues of \$8,116k and expenses of \$7,007k.

2009 Revenues mainly consisted of the following items:

- \$5,537k of revenue from the Games Operating Trust ("GOT"). The City applies for and receives funding from the GOT. The City received and transferred to the Corporation \$4,731k during the year which, together with deferred GOT revenue for 2008 of \$806k was recognized as revenue earned in the year;
- \$1,050k of revenue from a grant from the City. In accordance with the operating agreement between the City and the Corporation, the City is to provide annual financial support to the Corporation of not less than \$1,500k to the Corporation in 2010, 2011 and 2012. \$200k was in the City's base budget in 2008 and an additional \$650k was added to the base in 2009. The \$200k carried over from 2008 and the \$850k in 2009, for a total of \$1,050k, was transferred to the Oval in 2009. Another \$650k was approved in the City's 2010 operating budget to bring the total to \$1,500k in accordance with the operating agreement; and
- \$1,498k of revenue from memberships, admissions and programs. The Oval offered a variety of fitness programs along with access to the four gym courts, the 400 meter speed skating track, the cardio and strength training equipment on the fitness level and the rowing and paddling centre.

2009 Expenses mainly consisted of the following items:

- Salaries and benefits of \$3,354k. There were 26 full-time and 84 part-time employees on the payroll as at November 30, 2009;
- Utilities costs of \$974k relating to the heat, light and power for the Oval;
- \$460k of administration costs mainly related to accounting, information technology, development of organizational infrastructure such as safety programs, internal controls, office supplies and equipment support, human resource policies, etc;
- \$397k of supply and equipment costs associated with supplies for operating the facilities and the ice-making machine and general building maintenance;
- \$376k of costs related to developing and implementing a plan for marketing the Oval sport fitness programs and rentals of facilities;
- \$304k of costs for property and liability insurance;
- \$265k of costs pertaining to running the sport and fitness programs out of the Oval including supporting the training of high performance athletes, including speed skaters, and the attraction of other high performance athletes to the Oval;
- \$230k of professional fees mainly related to creating leases for tenants, other legal agreements and audit fees;
- \$173k of costs associated with the official opening ceremonies and special events at the Oval;
- \$73k of recruitment costs for various staff positions; and
- \$402k of amortization costs.

Balance Sheet

The balance sheet accounts are summarized below:

- Cash and accounts receivable aggregating \$1,110k resulted from funding from GOT together with sales of memberships, admissions, programs and special events;
- Prepaid expenses of \$431k consists of unamortized portions of the premiums on the Oval's insurance policies covering property, liability, business interruption, directors and officers' liability and other risks together with prepaid information technology licences and sponsorship commissions;

- Equipment balance of \$1,177k. As at December 31, 2009, the Oval had \$1,579k of equipment of which \$944k was the capitalization of leases for information technology equipment, printers, drivers, computers, audio visual and other equipment required for the administration and running of programs, events and the operation of the Oval. In addition, it includes \$635k of athletic equipment, staff uniforms, ice skates, helmets, computer software and equipment and other equipment. Amortization of the equipment commenced on January 1, 2009 and amounted to \$402k for the year;
- Accounts payable and accrued liabilities of \$572k includes payroll accruals and trade payables for heat, light, power, equipment, service contracts, legal and audit fees;
- A total balance of \$711k (\$242k short-term and \$469k long-term) for the obligation under capital leases for equipment.
- Deferred revenue includes the pro rata portion of fees received in 2009 of \$78k for fitness and other programs to be delivered in 2010.
- The retained earnings at December 31, 2009 are \$1,256k, being the accumulated net earnings for the two fiscal periods.

Financial Impact

None.

Conclusion

For the year ended December 31, 2009, the Corporation had net income of \$1,109k with \$8,116k of revenues and \$7,007k of expenses. The Corporation outperformed its budget as set out for 2009.



Rick Dusanj, CA
Manager, Business Advisory Services
(604-276-4103)

RD:rd

Financial Statements of

0827805 B.C. LTD.

(dba Richmond Olympic Oval Corporation)

Year ended December 31, 2009

0827805 B.C. LTD.
 (dba Richmond Olympic Oval Corporation)
 Balance Sheet

December 31, 2009, with comparative figures for 2008


	2009	2008
Assets		
Current assets:		
Cash	\$ 1,021,195	\$ 87,165
Accounts receivable	88,918	20,471
Inventory	2,046	-
Prepaid expenses	430,565	243,715
Due from the City of Richmond (note 5)	-	914,242
	<u>1,542,724</u>	<u>1,265,593</u>
Equipment (note 6)	1,176,978	966,727
Other assets	700	-
	<u>\$ 2,720,402</u>	<u>\$ 2,232,320</u>

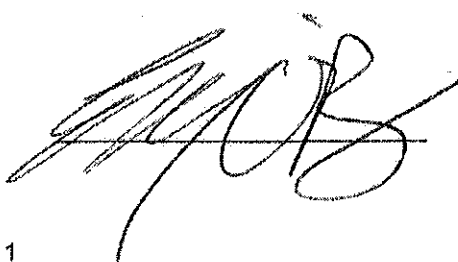
Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 571,982	\$ 510,827
Obligations under capital leases (note 7)	242,199	181,222
Deferred revenue (note 8)	78,023	848,732
Due to the City of Richmond (note 5)	103,205	-
	<u>995,409</u>	<u>1,540,781</u>
Obligations under capital leases (note 7)	469,033	544,062
	<u>1,464,442</u>	<u>2,084,843</u>
Shareholder's equity:		
Share capital (note 10)	1	1
Retained earnings	1,255,959	147,476
	<u>1,255,960</u>	<u>147,477</u>
Commitments (note 3)		
Economic dependency (note 12)		
	<u>\$ 2,720,402</u>	<u>\$ 2,232,320</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:


 _____ Director


 _____ Director

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Statement of Earnings and Retained Earnings

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

	2009	2008
Revenue:		
2010 Games Operating Trust Fund (notes 4 and 8)	\$ 5,536,509	\$ 3,336,341
Grant from City of Richmond (note 9)	1,050,000	-
Memberships, admissions and programs	1,498,041	58,512
Interest and other (note 9)	31,267	88,964
	<u>8,115,817</u>	<u>3,483,817</u>
Expenses:		
Salaries and benefits	3,354,065	1,285,529
Utilities	973,988	198,325
General and administration	459,911	180,911
Supplies and equipment	397,052	103,812
Marketing and sponsorship	376,199	262,490
Insurance	303,621	37,416
Program services	264,762	-
Professional fees	230,233	213,699
Opening ceremonies and special events	172,584	506,929
Recruiting and consulting	72,627	547,230
Amortization	402,292	-
	<u>7,007,334</u>	<u>3,336,341</u>
Net earnings	1,108,483	147,476
Retained earnings, beginning of period	147,476	-
Retained earnings, end of period	<u>\$ 1,255,959</u>	<u>\$ 147,476</u>

See accompanying notes to financial statements.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Statement of Cash Flows

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Net earnings	\$ 1,108,483	\$ 147,476
Item not involving cash:		
Amortization	402,292	-
Changes in non-cash operating working capital:		
Accounts receivable	(68,447)	(20,471)
Inventory	(2,046)	-
Prepaid expenses	(186,850)	(243,715)
Due to/from the City of Richmond	1,017,447	(914,242)
Accounts payable and accrued liabilities	61,155	510,827
Deferred revenue	(770,709)	848,732
	1,561,325	328,607
Investments:		
Purchases of equipment	(424,371)	(210,493)
Increase in other assets	(700)	-
	(425,071)	(210,493)
Financing:		
Repayment of obligations under capital leases	(202,224)	(30,949)
Increase in cash	934,030	87,165
Cash, beginning of period	87,165	-
Cash, end of period	\$ 1,021,195	\$ 87,165
Supplementary information:		
Interest paid	\$ 22,872	\$ 4,767
Assets acquired under capital lease	188,172	756,234

See accompanying notes to financial statements.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

1. Incorporation and nature of business:

0827805 B.C. Ltd. (dba as the Richmond Olympic Oval Corporation) (the "Corporation") was incorporated on June 16, 2008 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). The business of the Corporation is to use the Richmond Olympic Oval facility (the "Oval") to provide a venue for a wide range of sports, business and community activities, including, but not limited to, being the long-track speed skating venue for the 2010 Olympic and Paralympic Winter Games (the "Games").

2. Significant accounting policies:

(a) Basis of presentation:

(i) Accounting principles:

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(ii) Statement of earnings and retained earnings:

The comparative financial statements for the period ended December 31, 2008 were prepared on the basis that all expenses incurred by the City, on behalf of the Corporation, prior to incorporation on June 16, 2008 were incurred by the City acting as an agent for the Corporation. Accordingly, pre-incorporation expenses of \$688,164, consisting of \$226,311 in 2007 and \$461,853 in 2008, were included in the statement of earnings.

The Oval land and building complex and its major equipment components are the property of the City and are not recorded in these financial statements. Construction of the Oval was completed in December 2008 at which time operations of the Oval commenced.

On December 1, 2009 the Vancouver Organizing Committee for the Games ("VANOC") commenced the conversion of the Oval for the speed skating events of the Games and all Oval revenue earning operations from membership, admission and programs ceased but certain operating expenses continued to be incurred.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

2. Significant accounting policies (continued):

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of valuation in accounts receivable, useful lives of equipment for depreciation, impairment of long-lived assets and fair values of financial instruments. Actual amounts may ultimately differ from these estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in earnings in the year in which they become known.

(c) Revenue recognition:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts (note 8) are recognized as revenue when the amounts are approved by 2010 Games Operating Trust (note 4) and when the related operating expenses and capital maintenance costs of the Oval are incurred.

(d) Equipment:

Equipment is recorded at cost. Amortization is provided on a straight-line basis at rates that reflect estimates of the economic lives of the assets based on the following annual rates:

Assets	Rate
Athletic equipment	20%
Computer software and equipment	33%
Uniforms, ice skates and helmets	33%
Signage	33%

Tenant improvements are amortized over the term of the lease.

Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

2. Significant accounting policies (continued):

(e) Assets held under capital lease:

Assets held under capital lease are stated at historical cost, being the lesser of the present value of the future minimum lease payments and fair value at the date of acquisition and are amortized on a straight-line basis over their estimated useful lives.

(f) Pension plan:

The Corporation and its employees make contributions to the Municipal Pension Plan (the "Plan"). As the Plan is a multi-employer plan, these contributions are expensed as incurred.

(g) Income taxes:

The Corporation is not subject to income taxes as it is a municipal corporation wholly-owned by the City of Richmond.

(h) Financial instruments:

The Corporation accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, CICA Handbook Section 3865, *Hedges*, CICA Handbook Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*.

These sections require that all non-derivative financial assets and liabilities be measured at fair value with the exception of loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and certain exceptions which are not applicable to the Corporation. The section also requires that gains and losses on financial instruments measured at fair value be recognized in net earnings in the periods in which they arise, with certain exceptions which are not applicable to the Corporation. In addition, disclosure with an emphasis on risks associated with both recognized and unrecognized financial instruments to which an entity is exposed during the year and at the balance sheet date, and how an entity manages these risks, is provided in the financial statements.

The Corporation's financial instruments are accounts receivable, due to and from the City, and accounts payable and accrued liabilities. The Corporation classifies its accounts receivable as loans and receivables which are recorded at amortized cost. The Corporation classifies its accounts payable and accrued liabilities as other liabilities which are recorded at amortized cost.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

The carrying values of cash, accounts receivable, amounts due to and from the City and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

(i) Assessing going concern:

CICA Handbook Section 1400, *General Standards of Financial Statement Presentation*, requires management to assess and disclose an entity's ability to continue as a going concern. Based on the assessment by management, there is no issue regarding the Corporation's ability to continue as a going concern.

(j) Capital disclosures:

CICA Handbook Section 1535, *Capital Disclosures*, requires quantitative disclosure about what is regarded as capital and disclosure of information with respect to the objectives, policies and processes used by the Corporation to manage capital. These disclosures are included in note 13 to the financial statements.

(k) Goodwill and intangible assets:

Effective January 1, 2009, the Corporation implemented the CICA Section 3064, *Goodwill and Intangible Assets*. This new section establishes standards for the recognition, measurement, presentation and disclosure by profit-oriented enterprises of goodwill and intangible assets subsequent to its initial recognition.

There is no goodwill or intangible assets recorded in the Corporation's balance sheet. The Corporation will continue to monitor the impact, if any, of the above standard in the future.

(l) Future accounting changes:

The Public Sector Accounting Board ("PSAB") recently approved changes to the scope of PSAB. These amendments require that government business enterprises adopt International Financial Reporting Standards ("IFRS") for periods beginning on or after January 1, 2011. A government business enterprise is one with self-sustaining commercial type operations. Government organizations that are not considered to be business enterprises are either government not-for-profit organizations or other government organizations. Other government organizations will be required to either adopt IFRS or to prepare their financial statements in accordance with PSAB.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

2. Significant accounting policies (continued):

(l) Future accounting changes (continued):

As the Corporation is not expected to be self-sustaining as at January 1, 2011, it would be categorized as an other government organization and will need to determine whether it should adopt IFRS or PSAB.

Management is currently evaluating the impact of the two standards and will determine whether the Corporation should adopt IFRS or PSAB.

3. Richmond Oval Agreement:

The Corporation is party to the Richmond Oval Agreement (the "Agreement") with the City, which has an effective date of July 1, 2008. The Agreement establishes the terms and conditions of the relationship between the City and the Corporation. Under the terms of the Agreement:

(a) The Corporation:

- (i) leases the Oval for a term of twenty-five years for \$1;
- (ii) has the power to manage, operate, use and occupy the Oval;
- (iii) is responsible for repairing and maintaining all components of the Oval;
- (iv) will receive all revenue and be responsible for all operational expenses and capital expenditures of the Corporation (see (b)(iii) below);
- (v) will, in 2011, allocate from shareholder's equity to a Sustaining Capital Reserve and an Operating Capital Reserve a total of \$1.7 million to be represented by cash in a capital reserve bank account; subsequent to 2011, the amount of the contribution to the Capital Reserve will be determined by the Capital Works Committee;
- (vi) will indemnify and save harmless the City from any losses or damages arising from or which have occurred as a result of rights and obligations under the Agreement;
- (vii) will maintain property and liability insurance on the Oval;
- (viii) will not allow any encumbrances to be registered against the Oval;
- (ix) will prepare and deliver to the City, on an annual calendar year basis, audited financial statements prepared in accordance with generally accepted accounting principles and annual report, no later than April 30 of the following fiscal year; and
- (x) will prepare and deliver to the City, financial reports, at dates to be determined by the City, on the financial matters of the Corporation.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

3. Richmond Oval Agreement (continued):

(b) The City:

- (i) will provide, for the first fifteen years of the term, financial support as agreed between the City and the Corporation from time to time; for the years 2010, 2011 and 2012 the annual financial support shall not be less than \$1.5 million per year indexed at the City of Vancouver's Consumer Price Index. After fifteen years, any financial assistance from the City will be as determined by the City in its sole discretion;
- (ii) will pay any funds received from The 2010 Games Operating Trust ("GOT") (note 4) to the Corporation within 30 days of receipt; and
- (iii) is responsible for completing construction of the Oval in the Pre-Games configuration and for re-configuring the Oval into the post-games configuration at the City's cost.

4. 2010 Games Operating Trust Fund:

On November 14, 2002, under the terms of the Multiparty Agreement for the Games, the Government of Canada and the Province of British Columbia agreed to establish the Legacy Endowment Fund (the "Fund") and to each contribute \$55 million. On March 31, 2004, under the terms of The 2010 Games Operating Trust Agreement, an irrevocable trust was created known as GOT and the 2010 Games Operating Trust Society (the "Society") became the trustee of the Fund. The purpose of the Fund is to fund operating expenses and capital maintenance costs of certain facilities created for the Games, specifically the Oval and the Whistler Sliding Centre and Nordic Centre, and to assist with the continued development of amateur sport in Canada. Subsequent to the formation of the Trust, the City, as owner of the Oval, became a beneficiary of the Trust and became responsible for complying with obligations set by the Trust and GOT in order to receive funding.

Effective December 31, 2007:

- (a) the Fund was divided into three funds: the Speed Skating Oval Fund; the Whistler Sliding Centre and Nordic Centre Fund and the Contingency Fund; and
- (b) the capital and any accumulated but undistributed income of the Fund was divided as follows: Speed Skating Oval Fund (40%), Whistler Sliding Centre and Nordic Centre Fund (40%), and the Contingency Fund (20%).

Effective April 21, 2009, the City entered into an agreement with VANOC. The agreement details the terms and conditions to which the City is required to adhere in order to receive funding from GOT. When VANOC ceases to exist after the Games, the agreement will be assigned to GOT or, with the consent of the City, to another party.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)

Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

4. 2010 Games Operating Trust Fund (continued):

Funds from GOT are paid to the City, and as indicated in note 3(b)(ii), the funds are then paid to the Corporation.

At December 31, 2008, the Speed Skating Oval Fund had a fund balance of \$39,397,078 (2007 - \$49,941,298) after distributions. The fund balance at December 31, 2009 has not been confirmed to the City.

5. Due to and from the City of Richmond:

The amount due to the City of Richmond arises in the normal course of business and includes salary and expense charges.

The amount due from the City of Richmond comprises money owing by the City pertaining mainly to GOT funds received prior to the incorporation of the Corporation that was not paid as at December 31, 2008 (see notes 4 and 8).

6. Equipment:

The cost and net book value of equipment is as follows:

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Cost
Equipment under capital lease	\$ 944,406	\$ 280,342	\$ 664,064	\$ 756,234
Athletic equipment	406,564	65,471	341,093	110,132
Computer software and equipment	87,575	17,421	70,154	24,687
Uniforms, ice skates, and helmets	89,922	28,167	61,755	75,674
Signage	33,824	2,819	31,005	-
Tenant improvements	16,979	8,072	8,907	-
	\$1,579,270	\$ 402,292	\$1,176,978	\$ 966,727

Assets under capital lease include audio and visual equipment, printers, drivers, computer hardware and other information technology equipment. The lease agreements are between the City and the Municipal Finance Authority of the Province of British Columbia. The equipment is used solely by the Corporation and, accordingly, the leased assets are capitalized and the related obligation recorded in the accounts of the Corporation. The lease payments made by the City are charged at cost to the Corporation.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

7. Obligations under capital leases:

The capital leases have an estimated cost of borrowing ranging from 0.21% to 0.35% per month. The principal and interest payments as at December 31, 2009 and 2008 are as follows:

	2009	2008
Total minimum lease payments	\$ 739,365	\$ 771,383
Imputed interest	(28,133)	(46,099)
	711,232	725,284
Current portion of obligations under capital lease	242,199	181,222
Long term portion of obligations under capital lease	\$ 469,033	\$ 544,062

As at December 31, 2009, the Corporation was committed to payments under capital leases as follows:

2010	\$ 258,164
2011	258,164
2012	213,924
2013	9,113
	\$ 739,365

8. Deferred revenue:

Deferred revenue is comprised of:

	2009	2008
GOT contributions	\$ -	\$ 805,985
Memberships and lessons to be serviced in next fiscal year	78,023	42,747
	\$ 78,023	\$ 848,732

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

8. Deferred revenue (continued):

Change in deferred revenue of GOT contributions is as follows:

	2009	2008
Balance, beginning of period	\$ 805,985	\$ -
Add:		
2006 Trust income received in December 2007	-	2,192,493
2007 Trust income received in June 2008	-	1,949,833
2007 annual distributable amount received in 2009	2,497,065	-
2008 annual distributable amount received in 2009	2,233,459	-
	5,536,509	4,142,326
Less:		
Revenue recognized in the period being equal to or less than the operating expenses incurred in the year:		
Pre-incorporation expenses incurred by the City to June 15, 2008 (note 2(a)(ii))	-	(688,164)
Expenses incurred June 16 - December 31, 2008	-	(2,648,177)
Expenses incurred in 2009	(5,536,509)	-
	(5,536,509)	(3,336,341)
Balance, end of period	\$ -	\$ 805,985

Revenue from GOT is comprised of:

	2009	2008
Revenue recognized from Trust income ((a) above)	\$ 805,985	\$ 3,336,341
2007 annual distributable amount received in 2009	2,497,065	-
2008 annual distributable amount received in 2009	2,233,459	-
	\$ 5,536,509	\$ 3,336,341

Applications have been made to GOT for the 2009 annual distributable amount. The Corporation will record this amount as revenue when it is approved by GOT and when the related expenses are incurred.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

9. Related party transactions:

The Corporation leases the Oval from the City for \$1 annually (note 3).

In 2008, the Corporation earned interest income of \$88,803 on the GOT funds held by the City.

Included in general and administration expenses is a management fee of \$60,000 to the City for the provision of city staff time in fiscal year 2009 (2008 - \$60,000).

Included in salaries and benefits expense is a charge of \$173,639 (2008 - \$85,130) relating to the costs of City staff time charged to the Corporation for services performed during 2009. Also included in the current year's salaries and benefits expenses is a recovery of \$126,000 for an adjustment of 2008 expenses charged by the City in the prior year.

During 2009, the Corporation received a grant from the City of \$1,050,000 (2008 - nil) (note 3(b)).

10. Share capital:

Share capital is comprised of:

Authorized:

Unlimited number of common shares without par value.

Issued:

One common share for cash of \$1 on June 16, 2008.

11. Pension plan:

The Corporation and its employees contribute to the Plan, a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of surplus to individual employers. During the current fiscal year the Corporation paid \$109,476 (2008 - \$15,799) for employer contributions to the Plan.

0827805 B.C. LTD.
(dba Richmond Olympic Oval Corporation)
Notes to Financial Statements (continued)

For the year ended December 31, 2009, with comparative figures for the period from commencement of operations on March 1, 2007 to December 31, 2008

12. Economic dependency:

The Corporation is economically dependent on receiving funding from GOT and the City.

13. Capital disclosures:

The Corporation's capital consists of its share capital and retained earnings. The Corporation's objective when managing capital is to safeguard its assets and to ensure that adequate capital is managed for future requirements. The procedures in place to achieve these goals include establishing effective internal controls, the review and approval of annual budgets and ongoing review of interim financial statements by the board of directors.

14. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year's presentation.